

# ANNUAL REPORT 1967

NEW  
MOUNT  
COSTIGAN  
MINES LIMITED

# NEW MOUNT COSTIGAN MINES LIMITED

## OFFICERS

W. L. YOUNG . . . . . *President*  
G. D. PATTISON . . . . . *Executive Vice-President*  
R. D. BELL . . . . . *Secretary-Treasurer*  
J. P. BRISBOIS . . . . . *Assistant Secretary-Treasurer*

## DIRECTORS

NICKOLAS AXIOTIS . . . . . Warren, Ohio, U.S.A.  
R. D. BELL . . . . . Toronto, Ontario  
F. C. KNIGHT . . . . . Toronto, Ontario  
G. D. PATTISON . . . . . Aurora, Ontario  
W. L. YOUNG . . . . . Sydney, Australia

## TRANSFER AGENT AND REGISTRAR

GUARANTY TRUST COMPANY OF CANADA . Toronto, Ontario

## AUDITORS

THORNE, GUNN, HELLIWELL & CHRISTENSON . Toronto, Ontario

## HEAD OFFICE

SUITE 509, 25 ADELAIDE STREET WEST . . . Toronto, Ontario



Fred Knight. →  
EM 2-2725

# NEW MOUNT COSTIGAN MINES LIMITED

SUITE 509 — 25 ADELAIDE STREET WEST

TORONTO 1, ONTARIO

## DIRECTORS' REPORT

To the Shareholders,  
NEW MOUNT COSTIGAN MINES LIMITED.

Your Board of Directors is pleased to report on the activities of your Company and present its financial statements for the year ended December 31, 1967 with auditors' report thereon dated May 8, 1968.

The Company's main efforts have been concentrated on the development of the rutile-zircon beach sand deposits located at Naracoopa on King Island, which is situated in Bass Strait between the island of Tasmania and the Australian mainland.

Encouraging exploration work warranted a feasibility study which was completed in the late fall of 1967 by Kenneth McMahon and Partners Pty. Ltd., a well-known Australian firm of mining consultants with experience in beach sand mining.

The feasibility study in which dollar amounts are stated as Australian dollars and tons as long tons, indicates the following:

- (1) the areas held under two Special Prospecting licences contain reserves of heavy minerals sufficient to sustain production for five years at an annual rate of 10,000 tons each of rutile and associated zircon, and further reserves are indicated within these and other areas held by your Company;
- (2) the estimated capital cost of plant and equipment to produce at the rate of 10,000 tons each of rutile and zircon per year is \$650,000 with an additional \$100,000 required in the first year of production to increase wet concentrating plant capacity, such additional amount to be generated from cash flow. Working capital and preproduction financial requirements are estimated to be \$89,000;
- (3) based on prices of \$85.00 and \$30.00 per ton respectively for rutile and zircon and an overall recovery of 85%, net profits over the initial five years of production after taxes and after fully depreciating plant and equipment are estimated to amount to \$1,245,379. If port facilities are established at Naracoopa by government authorities for the direct loading of products into overseas ships, significant advantages would accrue.

Based on the information contained in the feasibility study, the decision was made to bring the beach sand deposits into production. A subsidiary company, Naracoopa Rutile Limited, was incorporated under the laws of the State of New South Wales on January 25, 1968 which acquired the Company's beach sand properties. The authorized capital of Naracoopa Rutile Limited is 1,200,000 ordinary shares of 50 cents each and 500,000 9% Cumulative Redeemable Preference shares of \$1.00 each, redeemable as hereinafter described.

In consideration of the transfer to it of the King Island beach sand properties, Naracoopa Rutile Limited issued to the original optionors 105,600 ordinary shares and 1,089,395 ordinary shares to Costigan Mining Australia Pty., Limited, a wholly-owned subsidiary of your Company incorporated to hold its Australian assets.

Derby & Co. (Australia) Pty. Ltd., well known metal and concentrate dealers, has been appointed by Naracoopa Rutile Limited as sales agents for its total production of beach sands for three years from the start of production with the option to extend the agency for a further two years. Derby's remuneration is 5% of sales plus 10% of any overprice obtained in excess of \$80.00 and \$40.00 per ton of rutile and zircon respectively. They have guaranteed an average minimum price of \$85.00 per double ton of rutile and zircon for 10,000 double tons annually for three years from the start of production.

As a result of negotiations carried on in Australia, the finances required by Naracoopa Rutile Limited to bring its beach sand properties into production have been arranged as follows:



- (1) the sale at par to clients of Ralph W. King & Yuill, underwriting brokers and members of the Sydney Stock Exchange Limited, of 500,000 9% Cumulative Redeemable Preference shares of \$1.00 each. These preference shares are redeemable at par in cash as to 200,000 shares on September 30, 1970, as to a further 200,000 shares on September 30, 1971, and as to the remaining 100,000 on September 30, 1972, or on such earlier dates as the Directors may determine. In addition the holders of the 200,000 shares redeemable September 30, 1971 may in lieu of redemption elect to convert the same into 400,000 fully paid ordinary shares of 50 cents each ranking pari passu with the 1,200,000 original ordinary shares;
- (2) the borrowing of \$99,000 from the Australia and New Zealand Bank Limited at the rate of 6% per annum repayable over a period of three years;
- (3) the borrowing of \$150,000 from Derby & Co. (Australia) Pty. Ltd., \$50,000 prior to production if required, to be fully secured by a first mortgage on the assets of Naracoopa Rutile Limited to be held jointly with the Australia and New Zealand Bank Limited, and the additional \$100,000 to be advanced against production.

Kenneth McMahon and Partners Pty. Ltd. have been appointed General Managers of Naracoopa Rutile Limited and arrangements are now being finalized to commence plant construction. It is expected that production will commence during the last quarter of the current year.

At the Annual and General Meeting of the Shareholders of your Company held on June 21, 1967 the financing agreement dated December 28, 1966 made between the Company and Thesen Securities Limited was approved and ratified. This financing agreement provided for a rights issue to holders of the Company's common shares on a basis whereby each shareholder would be given the right to purchase one additional common share of the Company as now constituted at the price of forty cents (40¢) per share for each five shares held as of the date of issue of rights. The rights issue was intended to follow the second financing, so that it would take place after the receipt and approval of the feasibility report on the King Island beach sand properties, and after financial commitments were received sufficient to put the property into production. The feasibility report and financing arrangements which have been made in Australia have established that the second financing as set out in the Thesen agreement will not be required.

After considering the matter, the Directors of the Company have decided to make a rights issue to present holders of its common shares on new terms, and enclosed herewith are rights entitling shareholders to purchase one common share of the Company as now constituted at twenty-five cents per share for each three common shares held. Thesen Securities has given its approval to the rights issue and has also agreed to guarantee receipt by the Company of the full proceeds, by purchasing all common shares set aside by the Company for the rights issue, and not issued by the Company to fulfill subscriptions by rights holders. As the Company has issued 1,898,223 common shares, the number of shares which could be purchased under the rights would be a total of 632,741 common shares. The total proceeds to the Company from the offering will be \$158,185.25.

On the reverse side of the subscription warrant will be found complete instructions as to the method of exercise and all other particulars. The Company is not permitted to accept subscriptions from shareholders resident in the United States of America, but rights are transferable, and it is anticipated that the rights will be called for trading on the Canadian Stock Exchange, Montreal.

Submitted on behalf of the Board,

Toronto, Ontario,  
June 6, 1968.

G. D. PATTISON,  
Executive Vice-President.



# NEW MOUNT COSTIGAN MINES LIMITED

(Incorporated under the laws of Ontario)

## BALANCE SHEET — DECEMBER 31, 1967

(with comparative figures at December 31, 1966)

ASSETS	1967	1966
<b>CURRENT ASSETS</b>		
Cash .....	\$ 11,367	
Due from director .....	5,455	\$ 2,896
Deposits and accounts receivable .....	11	259
	<u>16,833</u>	<u>3,155</u>
<b>INTEREST IN OTHER MINING COMPANIES</b>		
Shares of Comstaff Proprietary Limited, at cost (note 3) .....	86,617	86,617
Advances		
Guaranteed by two directors .....	4,946	5,076
Other .....	3,586	2,172
	<u>95,149</u>	<u>93,865</u>
<b>MINING INTERESTS, King Island, Australia</b>		
Naracoopa Beach Sands (note 4) .....	166,764	75,135
King Island Joint Venture (note 5) .....	24,351	
	<u>191,115</u>	<u>75,135</u>
<b>MINING CLAIMS, Lake Ainslie, Nova Scotia (note 6)</b>		
Cost .....	190	190
Deferred exploration and development expenditures .....	11,489	11,489
	<u>11,679</u>	<u>11,679</u>
<b>EXPLORATION DATA, Maritime Provinces, at nominal value (1966, at cost) .....</b>	<u>1</u>	<u>68,767</u>
	<u>\$ 314,777</u>	<u>\$ 252,601</u>
<b>LIABILITIES</b>		
	1967	1966
<b>CURRENT LIABILITIES</b>		
Bank advances .....		\$ 153
Accounts payable and accrued liabilities .....	\$ 8,005	11,763
Loan payable to a shareholder .....	25,000	
	<u>33,005</u>	<u>11,916</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK</b>		
Authorized		
200,000 5% Non-cumulative preference shares,		
redeemable at par value of \$1 each		
5,000,000 Common shares without par value		
Issued		
128,879 Preference shares .....	128,879	128,879
1,898,223 Common shares (note 7) .....	582,745	452,745
	<u>711,624</u>	<u>581,624</u>
<b>DEFICIT</b> .....	<u>429,852</u>	<u>340,939</u>
	<u>281,772</u>	<u>240,685</u>
	<u>\$ 314,777</u>	<u>\$ 252,601</u>
Approved on behalf of the Board		
G. D. PATTISON, Director		
R. D. BELL, Director		

## AUDITORS' REPORT

To the Shareholders of  
New Mount Costigan Mines Limited

We have examined the balance sheet of New Mount Costigan Mines Limited as at December 31, 1967 and the statements of deferred exploration and development expenditures, deficit, administrative expenses and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada  
May 8, 1968

THORNE, GUNN, HELLIWELL & CHRISTENSON  
Chartered Accountants



# NEW MOUNT COSTIGAN MINES LIMITED

## STATEMENT OF DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES

**Year Ended December 31, 1967**

(with comparative figures for 1966)

	1967	1966
Consulting fees .....	\$ 12,102	\$ 12,675
Diamond Drilling .....	5,452	43
Engineering fees .....	23,419	
Field equipment .....		1,529
General field expenses .....	4,115	3,856
Government fees and licenses .....	2,053	2,589
Office expenses .....	1,245	4,147
Sampling and testing .....	7,003	2,057
Travel and transportation .....	12,454	5,285
Wages and benefits .....	8,473	8,483
	<u>76,316</u>	<u>40,664</u>
Less advance on production royalties .....		30,000
Expenditures for the year .....	76,316	10,664
Balance deferred at beginning of year .....	144,495	224,259
	<u>220,811</u>	<u>234,923</u>
Exploration and development expenditures written off .....	71,490	90,428
Balance deferred at end of year .....	<u>\$ 149,321</u>	<u>\$ 144,495</u>
Shown as follows		
Interest in Naracoopa Beach Sands (note 4) .....	\$ 137,832	\$ 64,240
Mining claims, Lake Ainslie, Nova Scotia .....	11,489	11,489
Exploration data .....		68,766
	<u>\$ 149,321</u>	<u>\$ 144,495</u>

## STATEMENT OF DEFICIT

**Year Ended December 31, 1967**

(with comparative figures for 1966)

	1967	1966
Deficit at beginning of year .....	\$ 340,939	\$ 29,595
Amounts written off		
Cost of mining claims abandoned .....		92,161
Exploration and development expenditures .....	71,490	90,428
Administrative expenses .....	17,423	125,691
Incorporation expenses .....		1,500
Office equipment .....		1,564
Deficit at end of year .....	<u>\$ 429,852</u>	<u>\$ 340,939</u>

## STATEMENT OF ADMINISTRATIVE EXPENSES

**Year Ended December 31, 1967**

(with comparative figures for 1966)

	1967	1966
Annual report and shareholders' information .....	\$ 2,184	\$ 3,222
Audit .....	1,655	1,535
Head office administration .....	2,400	1,105
Legal .....	7,192	3,139
Rent and office expenses .....	2,858	8,568
Salaries and benefits .....	2,922	3,759
Stock transfer and listing .....	3,709	1,460
Supplementary Letters Patent .....	1,035	
Travel .....	1,668	4,390
Expenses for the year .....	25,623	27,178
Balance deferred at beginning of the year .....		98,513
	<u>25,623</u>	<u>125,691</u>
Administrative expenses transferred to interest in Naracoopa Beach Sands option .....	8,200	
Administrative expenses written off .....	<u>\$ 17,423</u>	<u>\$ 125,691</u>



# NEW MOUNT COSTIGAN MINES LIMITED

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended December 31, 1967

(with comparative figures for 1966)

	1967	1966
Source of funds		
Issue of common stock .....	\$ 130,000	\$ 25,000
Advance on production royalties .....		30,000
	<u>130,000</u>	<u>55,000</u>
Application of funds		
Exploration and development expenditures .....	76,316	40,664
Deduct items not involving a current outlay of funds .....		2,438
	<u>76,316</u>	<u>38,226</u>
Exploration advances held in trust re Naracoopa Beach Sands option (note 4) .....	9,837	
Option payment .....		3,625
Participation King Island Joint Venture .....	24,351	
Administrative expenses .....	25,623	27,178
Advances to other mining companies, net .....	1,284	5,441
	<u>137,411</u>	<u>74,470</u>
Decrease in working capital position .....	7,411	19,470
Working capital (deficiency) at beginning of period .....	(8,761)	10,709
Working capital deficiency at end of year .....	<u>\$ 16,172</u>	<u>\$ 8,761</u>

## NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 1967

### 1. CHANGE OF NAME

By Supplementary Letters Patent dated June 28, 1967, the name of the company was changed from Mount Costigan Mines Limited to New Mount Costigan Mines Limited.

### 2. CHANGE IN ACCOUNTING PRACTICE IN 1966

Administrative expenditures for the years to 1965 were included in deferred charges. In 1966 these expenditures were transferred to deficit together with expenditures for the year ended December 31, 1966.

### 3. COMSTAFF PROPRIETARY LIMITED

By agreement dated September 16, 1964 as amended with Broken Hill South Limited, the company's interest in the Mount Bischoff property was sold to Comstaff Proprietary Limited, an Australian company, incorporated as the operating company for further development of the property. Funds previously expended by the company on the property totalling \$86,617 represent the cost of a continuing 10% interest in the common shares of Comstaff.

### 4. NARACOOPA BEACH SANDS OPTION, KING ISLAND, AUSTRALIA

By agreement dated April 14, 1965, the company acquired an option to explore and acquire certain mining lands on King Island, Australia. The cost of the company's interest as shown on the balance sheet is as follows:

	1967	1966
Option payments .....	\$ 10,895	\$ 10,895
Exploration and development expenditures .....	137,832	64,240
Administrative expenses .....	8,200	
Exploration advances held in trust .....	9,837	
	<u>\$ 166,764</u>	<u>\$ 75,135</u>

Subsequent to December 31, 1967, the company exercised its option and caused the incorporation of Naracoopa Rutile Limited under the laws of New South Wales, Australia to be the operating company and acquire the mining lands. The company also caused the incorporation of Costigan Mining Australia Pty. Limited, a wholly owned Australian subsidiary, to hold the company's investment of 1,089,400 ordinary shares out of the 1,200,000 presently authorized and issued ordinary shares of Naracoopa Rutile.

Financial arrangements have been whereby Naracoopa will raise A\$749,000 by borrowing and by issuing preferred shares. Certain of the preferred shares are convertible at the holders option into 400,000 ordinary shares of Naracoopa. This sum is considered sufficient to bring the property into production. New Mount Costigan Mines Limited has agreed to provide up to Cdn. \$50,000 should additional funds be required.



## 5. KING ISLAND JOINT VENTURE

Pursuant to an agreement dated December 12, 1967, the company has advanced \$A20,000 (Cdn. \$24,351) to acquire a 40% interest in a joint venture to explore certain mining lands on King Island, Australia. Should the company elect not to contribute additional funds it will retain an interest in the joint venture varying with the stage of completion of the program, provided however that total expenditures of the joint venture do not exceed A\$500,000.

By agreement dated February 19, 1968, the company assigned a 10% working interest in the joint venture to Naracoopa Rutile Limited for A\$5,000.

## 6. MINING CLAIMS, LAKE AINSLIE, NOVA SCOTIA

By agreement dated July 26, 1965 the company was granted exclusive exploration and development rights covering a group of claims adjoining the Lake Ainslie claims with respect to metallic minerals and ore and the company granted an equivalent right to the owner of the adjoining claims with respect to barium and fluorine deposits on the Lake Ainslie claims. The agreement provided that the company would receive a royalty of 50 cents per ton on barite and fluorite concentrates, pellets or other products removed and sold from the Lake Ainslie claims and would pay a royalty of 5% of net smelter returns from all metallic minerals and metallic mineral ores taken from the adjoining claims and sold by the company. During the year ended December 31, 1966 the company accepted \$30,000 as full settlement of all royalties up to \$95,000 which would be payable to New Mount Costigan under the agreement on the first 24 months' commercial production of compounds from the Lake Ainslie claims.

## 7. CAPITAL STOCK

By Supplementary Letters Patent dated June 28, 1967 the common shares of the company were consolidated on the basis of 3 shares for each 5 shares previously issued.

Summary of common shares issued are as follows:

	No. of Shares	Consideration
Issued at December 31, 1965 .....	2,463,705	\$ 427,745
Issued for cash .....	100,000	25,000
Issued at December 31, 1966 .....	2,563,705	452,745
Issued for cash prior to reorganization .....	400,000	80,000
	2,963,705	532,745
Cancelled by Supplementary Letters Patent .....	1,185,482	
	1,778,223	532,745
Issued for cash subsequent to reorganization .....	120,000	50,000
	<u>1,898,223</u>	<u>\$ 532,745</u>

At December 31, 1967 there was an option outstanding to the President of the company to purchase 30,000 common shares at 33 $\frac{1}{3}$ ¢ per share. This option has subsequently lapsed.

### *Financing*

Pursuant to an agreement dated December 28, 1966, Thesen Securities Limited subscribed for 360,000 common shares, as reconstituted, for a total consideration of \$130,000.

Subject to certain conditions being met, Thesen agreed to purchase an additional 1,000,000 common shares at 40¢ per share and purchase up to \$1,000,000 of debentures to be issued by the company. The agreement also provided for a rights issue to the holders of the company's common shares on a basis so that each shareholder would be given the right to buy one additional share at 40¢ per share for each five shares held. The funds provided were to be used to finance the company's Australian subsidiary.

The financing provided by the above agreement is no longer required because of the subsequent financing described in note 4.

A rights issue is being made on new terms to issue rights to the holders of the common shares entitling them to purchase one common share of the company as now constituted at 25¢ per share for each three common shares held. By agreement dated April 4, 1968 Thesen Securities Limited has agreed to guarantee receipt by the company of the full proceeds amounting to \$158,185, by purchasing such part of the 632,741 common shares set aside by the company for the rights issue and not issued by the company to fulfill subscriptions by the rights holders.

## 8. COMPARATIVE FIGURES

Certain figures for 1966 have been reclassified to compare with presentation used for 1967.

## 9. OTHER STATUTORY INFORMATION

Direct remuneration of directors and senior officers (as defined by The Corporations Act) amounted to \$7,915 in 1967.